



Public Interest Law Center, Chad



April 2014

The World Bank's New Corporate Strategy: Ignoring Lessons of the Past?

The new *World Bank Group Strategy*, which was approved by the governors of the World Bank Group (WBG) in October 2013, spells out how the institution is to meet its two newly set goals: Ending extreme poverty by 2030, and promoting shared prosperity for the bottom 40% of people in a sustainable manner.

The central elements of the new strategy can be summarized as:

- Working jointly across the World Bank Group, *i.e.* carrying out joint projects of the WBG's public and private sector agencies;
- Using development assistance to leverage both public and private sector investment and enter into public-private partnerships;
- Supporting transformational projects meant to fundamentally improve the lives of poor and disadvantaged people;
- Taking on greater risks and manage risks "smartly" (without spelling out who is bearing the risks);
- Develop mechanisms to monitor progress and outcomes of high risk projects.

These elements are not new. All of them were present in one of the most paradigmatic projects supported by the WBG's in recent times: **The Chad-Cameroon Petroleum Development & Pipeline Project**. This mega-project with a total cost of over US\$ 7 billion in one of Africa's most impoverished regions was meant to be "transformational." Yet it led to increasing poverty and worsening governance conditions in Chad. While the overall population is worse off, the affected communities in the oil-producing region have been left without land, water and freedom of movement. Before the project they were poor, now they live in a state of desperate destitution.

Although IBRD/IDA withdrew from the project in 2008 after the government of Chad anticipated repayment of the respective loans, IFC remained in the project until it was fully repaid in December 2012. It is disturbing that there appears to be institutional amnesia on the impacts of this relatively recent and controversial project.

WBG President Dr. Kim is quoted in the *New York Times* as stating: *"If you have a spectacular failure, the only thing that I would be disappointed about is if we didn't ensure we learned from that failure."*¹ Yet as this particular case illustrates, the WBG finds it difficult to undertake a more in-depth analysis of the causes of why an investment failed to reduce poverty and to draw lessons from what has been learned.

¹ The *New York Times*, World Bank, Rooted in Bureaucracy, Proposes a Sweeping Reorganization, October 7, 2013, P. B2.

The table below compares the elements of the *new Strategy* with WBG statements and commitments in the Chad-Cameroon Petroleum Development & Pipeline Project:

New Strategy	Chad-Cameroon Project
Work as “One World Bank Group”	IDA, IBRD and IFC worked together with IDA financing mostly capacity-building, IBRD enclave loans in support of governments of IDA country governments and IFC in direct support of an Exxon-Mobil-led private sector consortium. <i>“The project provides a unique opportunity for IFC and the Bank to play a significant complementary role in reducing poverty in one of Africa’s poorest regions.”</i> ²
WBG to act as a catalyst for other private and public investments, leverage private sector funding and support public-private partnerships.	<i>“The Bank Group’s support has been a key element in catalyzing the involvement of Private Sponsors, who have stated that they would be unwilling to proceed without the Bank Group’s participation.”</i> ³ In addition, WBG support for the project led to financial contributions from export-credit agencies and private banks. The project was meant to be a model public-private partnership.
WBG will focus on transformational projects to increase development impact.	The investment was marketed as transformational and the only chance to lift Chadians out of poverty: <i>“...an unprecedented framework to transform oil wealth into direct benefits for the poor.”</i> ⁴
WBG will take on more risks and manage them ‘smartly.’ ⁵ WBG will intervene in risky markets to support the private sector through IFC/MIGA but also through IBRD to provide direct financing and risk mitigation. The idea is to “Instill and nurture a culture of informed risk-taking.” ⁶	According to the Bank, the risks were manageable and the rewards would be extra-ordinary. Credit risk was addressed <i>“The immediate purpose (of the escrow account) was to ensure priority repayment of the IBRD and European Investment Bank debt service.”</i> ⁷
Develop mechanisms to monitor the progress and outcomes of high-risk projects.	WBG put in place two independent monitoring mechanisms: The Independent Advisory Group (IAG) for IDA/IBRD and the External Compliance Monitoring Group (ECMG) for IFC. However, there was little or no follow-up to their findings and recommendations.

² World Bank, Chad-Cameroon Petroleum and Pipeline Project, Project Appraisal Document, April 20, 2000, p.12

³ Ibid. p. 22.

⁴ World Bank, Press Release, June 6, 2000.

⁵ World Bank, Risks & Accountability Change Team, Preliminary Recommendations, May 15, 2013, p.4.

⁶ World Bank, World Bank Group Strategy, October 2013, p. 25

⁷ Independent Evaluation Group, The World Bank Group Program of Support for the Chad-Cameroon Petroleum Development and Pipeline Construction, Report N° 50315, November 20, 2009.

There is a fundamental contradiction at work when the World Bank portrays itself as being at the cutting edge of global knowledge, while ignoring, the experience of this massive project that was based on the key elements of what is now being launched as the new WBG Strategy.

Instead of focusing on best environmental, social and anti-corruption practices – the indispensable and fundamental building blocks of effective poverty reduction efforts – the main thrust of the *Strategy* is to promote greater risk taking combined with speed and agility as a means of securing business and investment opportunities.

Although the *New World Bank Group Strategy* claims that its policy agenda is informed by decades of development experience, knowledge and research,⁸ its design appears largely focused on strengthening the WBG's competitiveness in a changing global context. Whether the new risk-taking approach – which fails to spell out whose risks are at stake – will lead to the achievement of ending extreme poverty and promoting shared prosperity is very much open to question.

Contacts:

Delphine Djiraibe, Attorney, Public Interest Law Center, Chad (ddjiraibe@hotmail.com)
Korinna Horta, Ph.D., Program Director, Urgewald, Germany (korinna@urgewald.org)

⁸ World Bank, *World Bank Group Strategy*, October 2013, p.6.